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Supreme Court of the United States

OCTOBER TERM, 1952

No. 42

F. W. WOOLWORTH CO.,
Petitioner,
against
CONTEMPORARY ARTS, INC.,
Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF
APPEALS FOR THE FIRST CIRCUIT.

REPLY BRIEF FOR PETITIONER

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Statute. Cited

Title 17, U. S. Code:	
Section 101(b)	4, 5, 6, 10, 13

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REPLY BRIEF FOR PETITIONER

POINT I

Respondent's statement of the facts relating to damages and profits is inaccurate and incomplete.

The only factual matter in Respondent's "Statement of the Case" bearing on the application of the damage section of the Copyright Act, which appears on pages 6 and 7 of its brief, does not fairly reflect the proofs in the Record.

Respondent asks this Court (Br. p. 6) "to note that respondent actually suffered *actual* damages . . . far in excess of \$5,000 . . .". There was no *proof* that respond-

ent suffered actual damages in that amount or any amount, or that it suffered actual damages at all (see Pet. Br. pp. 6-8).

On the same page, respondent states that the sales of its Cocker Spaniel were "killed by the Woolworth piracy". There was no such *evidence*. The only statements in the Record to this effect were non-probative assertions made by its counsel in colloquy (R. 32, 114, 244).

Respondent also states (Br. p. 6) that "dealers cancelled their orders for Respondent's dog line", and in support of this statement quotes Mr. Fox as "testifying" in the Record at page 118, as follows:

"We lost two of our big shops out there (Chicago) with the general complaint of copying."

The Record plainly shows at page 118 that this "testimony" was *stricken* by the Court.⁽¹⁾ There was no *evidence* to support said statement.

Respondent further states (Br. p. 6): "Respondent was then compelled to design a new Cocker (Plf's. Exh. 12) to replace the pirated dog". Respondent does not and cannot cite any *evidence* to that effect. Here, again, respondent is representing as *evidence* what was a mere assertion of its trial counsel (R. 244, 246). In fact, Plaintiff's Exhibit 12 was not even offered by plaintiff for that purpose, but solely to show "that it is still possible to make a cocker spaniel dog which is anatomically correct and authentic and realistic, without copying plaintiff's previous Jan Allen model" (R. 70-2, 90); and said exhibit was received for that limited purpose (R. 90).

(1) It should be noted that the trial court's references, at pp. 244 and 247 of the Record, to Fox's prior "testimony" as to damages were, in reality, merely to testimony that had been stricken or which had been offered and excluded.

Furthermore, respondent's own witness, the sculptress, Elizabeth Philbrick Hall, testified that any line "needs changing to keep abreast, as far as sale goes" (R. 103); and that need, so far as appears from the Record, was the reason plaintiff's designer, Press, worked up the new design of a cocker-spaniel statuette represented by Plaintiff's Exhibit 12 (R. 40, 70-71).

While the trial court did exclude testimony offered by respondent's counsel, purporting to show damages (the purpose of which, according to him was "to lay the foundation for an award of statutory damages" (R. 414)), respondent did not pursue its offer or appeal from the rulings of exclusion.

When, on rebuttal, the trial court advised respondent's counsel that it was not "going to preclude your showing any evidence of actual damage" (R. 182), respondent's counsel replied "Our reliance was on statutory damages" (R. 183). Toward the end of the trial, respondent's counsel again made a similar offer of proof, but did not follow through with admissible evidence, and the case ended, as it had begun, with the statement that respondent was relying on statutory damages (244-9).

It was not "admitted" that respondent was unable to prove its actual damages, from lost sales and the like, with the certainty required by law (Res. Br. p. 7). Respondent's counsel so admitted (R. 120), but offered no proof to show that it was difficult or impossible to prove its actual damages. Here, the subject matter presented no difficulties in respect of proof of damages, if any; and respondent was not "forced" to invoke the statutory damage clause (Res. Br. p. 7).

Respondent herein has sued Woolworth. It has not sued Sabin or Lepere, as it might. Any agreement between

Sabin and Woolworth (cf. Res. Br. p. 6), even if performed, would be irrelevant to the tendered issues between respondent and petitioner and cannot affect Woolworth's position as an innocent party.

Petitioner certainly is not bound by erroneous statements as to the law made by the trial court or either counsel during a colloquy on the trial (cf. Res. Br. p. 6).

Respondent, at page 7 of its brief, states that "Petitioner did not prove its profits", and at page 43 asserts:

"Presumably, for instance, the Petitioner here is willing to pay some 2% of its gross profits of \$889.16, or \$17.98."

Respondent then argues that petitioner did not prove its selling cost but that if it had, or if it had admitted "a small amount of actual net profits", those would have been "inadequate" for respondent and the case therefore falls within the rule propounded by respondent that Congress gave the District Court complete discretion to award statutory damages where damages or profits are small or so inadequate that they do not provide an effective remedy to prevent wilful and deliberate infringement (Res. Br. pp. 14-15, 41, 43-4, 49, 51). The statute, however (Section 101(b)) provides that:

"* * * in proving profits the plaintiff shall be required to prove sales only, and the defendant shall be required to prove every element of cost which he claims. * * *"

The amount of the sales are without contradiction in the record. And the defendant, under the burden which the statute placed upon it, proved as the only cost to be deducted therefrom the wholesale cost of the dogs. The gross, actual and recoverable profits were, therefore, not

only the subject of precise testimony, but the subject of stipulation (R. 26-27, 73-74). The holding of the trial court that it was difficult, if not impossible, for the plaintiff to prove defendant's profits (which was the trial court's basis for allowing statutory damages; R. 24), was held by the Court of Appeals to be "clearly erroneous" (R. 279); and, under its recalculation the respondent has been allowed a recovery of this actual gross profit, and, *in addition*, statutory damages (R. 279).

While respondent now claims that defendant's profits were not proved, it ignores the decision of the Court of Appeals that profits had been determined with legal certainty (R. 279).

POINT II

1 Respondent has failed to justify the District Court's award of statutory damages and the Court of Appeals' award of statutory damages plus profits. The cases cited by respondent do not support its contention that the District Court has complete discretion under §101(b) of the Copyright Act to award either actual damages and profits or statutory damages.

Respondent's basic argument in this Court, urged throughout its brief, is that in any case involving copyright infringement a district court has "complete" or "full" discretion to award *either* actual damages and profits *or* statutory damages under the "in lieu" clause of Section 101(b) of the Copyright Act (Res. Br. pp. 15, 41; 44, 49, 51). At page 41 it claims:

"The right to award statutory damages is in no way dependent upon the fact that there might have been some actual damages or actual profits which the plaintiff might have recovered."

None of the cases cited by respondent support this novel construction of Section 101(b). Actually, as this Court held in *Douglas v. Cunningham*, 294 U. S. 207 (1935), the "in lieu" clause, permitting statutory damages, comes into play only when under the rules of law it is difficult, if not impossible, for a copyright owner to prove damages or discover profits.

When that has been shown, a Court may *then* exercise its discretion in assessing the amount between the fixed limits of \$250 and \$5,000 and, also, in applying the schedule of damages suggested by Congress in the statute (*Westerndni Co. v. Dispatch Printing Co.*, 249 U. S. 100 (1919); *Jewell-LaSalle Realty Co. v. Buck*, 283 U. S. 202 (1931)).

Moreover, this Court has held that where profits alone have been proved, the "in lieu" clause is *inapplicable* (*Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U. S. 390, 399 (1940)).

The cases cited by respondent (Br. pp. 15-18, 42-4) have no application here. With the exception of *Johns & Johns Printing Co. v. Paull-Pioneer Music Corp.*, 8 Cir., 102 F. (2d) 282 (1939) and *Toksvig v. Bruce Publishing Co.*, 7 Cir., 181 F. (2d) 664 (1950), none of these cases made any finding as to defendant's profits.

In the *Johns* case, the Court found that defendant had caused damage to the plaintiff, the amount of which was unascertainable. Defendant attempted, on appeal, to limit plaintiff's recovery to \$5.10 because of its statement in answer to an interrogatory that its *net* profits were \$5.10. There was no finding as to defendant's sales or elements of cost. The Court of Appeals said (pp. 283-4):

"And in the absence of proof of both actual damages and profits, the trial court is required to award the minimum statutory sum of \$250."

The self-serving admission of net profits, which the Court did not accept in that case as proof of profits, is not comparable to the proof of profits in this case which profits the Court of Appeals for the First Circuit held had been ascertained with legal certainty. Moreover, it is implicit in the above statement of the Court, that it awarded statutory damages only because *both* actual damages and profits had not been proved.

In the *Toksvig* case, the Court stated that it was unable to determine defendant's profits, but estimated them at between 5¢ and 10¢ per infringing copy. In finding defendant had sold 14,262 copies, the Court awarded statutory damages of \$1,000, which comes to approximately 7¢ per copy, and in all probability, at least approximates defendant's profits.

In *Widenski v. Shapiro, Bernstein & Co., Inc.*, 1 Cir., 147 F. (2d) 909 (1945), the Court refused to hold that plaintiff's damages are measured by a price (as a license fee) at which a copyright proprietor indicated his willingness to sell an infringer, and awarded statutory damages of \$250, since the plaintiff was harmed but could not prove either his actual damages or defendant's actual profits.

As for the other cases cited by respondent the facts thereof indicate that defendant's profits were not ascertainable, especially in those cases involving infringement by a performance as distinguished from copying (*Jewell-LaSalle Realty Co. v. Buck, supra*), or where the infringing work is simply a portion of a larger work (*Douglas v. Cunningham, supra*). In *Westermann v. Dispatch Printing Co., supra*, the Court at page 104 expressly stated that defendant's profits had not been shown. Respondent's quotation (Res. Br. p. 44) from this case is taken out of context. Actually it follows the Court's statement that both parties agreed that statutory damages

were applicable and that only then may a Court consider what is a "just" assessment.

Respondent, in support of its theory of damages, charges petitioner with "flagrant piracy" and repeatedly suggests that the infringement has been willful and deliberate apparently to justify the penalty which the District Court imposed. As pointed out before, this is contrary to the statute forbidding penalties and also contradicts respondent's own concession on the trial that petitioner was an "innocent bystander" (R. 76).

Respondent's attempt (Res. Br. pp. 45-9) to distinguish the cases cited in Petitioner's Brief is also futile because those cases manifestly negative respondent's theory that a Court has absolute discretion in awarding damages for copyright infringement. In every one of those cases the Court made it very clear that when it awarded profits rather than statutory damages, it did not do so in the exercise of discretion, but that it had no alternative as the "in lieu" clause simply was not applicable.

Respondent's explanation of *Washingtonian Pub. Co., Inc. v. Pearson*, D. C. Cir., 140 F. (2d) 465 (1944) — i.e., that the Court properly awarded profits in its discretion contradicts the express language of the decision wherein the Court said (at p. 466) the "in lieu" clause was "not applicable" because profits had been proved. It is to be noted, also, that as to defendants, Pearson and Allen, the award of profits ~~amounted~~ to \$15.46, considerably less than the minimum of \$250 which respondent claims a Court is required to award whenever infringement is found (Res. Br. p. 41).

Moreover, in that case, plaintiff sought both damages and profits and the Court, in awarding profits, refused to award damages on the ground that the "in lieu" clause is not intended as a penalty. Contrast this with the award

of *both* profits and statutory damages by the Court of Appeals in the instant case.

Respondent's statement on *Universal Pictures Co. v. Harold Lloyd Corp.*, 9 Cir., 162 F. (2d) 354 (1947) is not correct. Therein the plaintiff sought to recover both actual damages and actual profits, but, in the alternative, asked for an award of statutory damages, the maximum amount of which was not limited under the statute to \$5,000 since the infringement had occurred after actual notice to defendant (cf. respondent's statement at pp. 47-8 of its brief). In refusing to award statutory damages, the Court also held that a plaintiff in a copyright case is not entitled to *both* damages and profits (contrary to the holding of the Court of Appeals in this case), but to one or the other, whichever is greater.

The award of actual profits of \$100 in *Malsed v. Marshall Field Co.*, 96 F. Supp. 372 (U.S. D.C., W.D. Wash. N.D., 1951) was not made in the discretion of the District Court Judge (cf. Res. Br. p. 49). In that case, the Court clearly stated that the "in lieu" clause "does not apply where *either* actual damages *or* profits are ascertainable". The *Malsed* case was recently approved in *Advertisers Exchange, Inc. v. Hinkley*, 8 Cir., 95 U.S. P.Q. 124 (Oct. 21, 1952, not officially reported). In the latter case statutory damages of \$312 were awarded since the copyright proprietor made no proof of actual damages or profits on account of the infringement. At page 126, the Court of Appeals for the Eighth Circuit said:

"The 'in lieu' provision of the statute is not to accomplish the imposition of a penalty as has been assayed here, but is an 'equitable substitute for cases which present difficulty or impossibility of proof as to damages and profits'." [citing *Malsed v. Marshall Field Co.*, *supra*.]

Respondent makes no effort to distinguish *Davilla v. Brunsicke-Balke Collender Co.*, 2 Cir., 94 F. (2d) 567 (1938), cert. den. 304 U. S. 572, but urges that it is "clearly wrong" and contrary to the decision in the *Douglas v. Cunningham* case, *supra*, on the theory that a Court awarding statutory damages according to the statutory schedule and within the fixed limitations of the statute, cannot be reversed on appeal. This theory requires the assumption that a Court may award statutory damages even when actual profits or damages are proved.

The *Davilla* case squarely holds that where profits are proved—in that case, as in this, by sales—the Court is precluded from awarding statutory damages and to do so is to use the statute as a punishment. Furthermore, the statute itself states that in proving profits, the plaintiff shall be required to prove sales only; and there is no requirement, as respondent insists (Res. Br. p. 49) that the amount of sales must always be proved "to serve as the basis for awarding statutory damages at the rate of \$1 per infringing copy". As has been pointed out previously, the Court has absolute discretion in employing the statutory schedule.

POINT III

Much of the respondent's brief consists of irrelevant and prejudicial matter.

A substantial part of respondent's brief consists of matter not relevant "to the question presented by the application of Section 101(b) of Title 17 of the U. S. Code to this case". Also, it is replete with the type of prejudicial and unjustifiable remarks which have character-

ized respondent's presentation herein throughout and which the Court of Appeals characterized as being "prompted perhaps by excess of zeal" (R. 279).

The issue of infringement is not before this Court under the order allowing certiorari (R. 281) — to petitioner's regret.

Nor are we concerned here with such matters as (a) the validity of a copyright registered by Moyer, not in litigation (Res. Br. pp. 5-6); (b) the Copyright Act of England and all of its historical antecedents or decisions thereunder (Res. Br. pp. 18-24); or (c) the Copyright Acts of the original states of this country (Res. Br. p. 25); or (d) the Federal Copyright Acts of 1790, 1802, 1819, 1831, 1856 and 1870 or decisions thereunder (Res. Br. pp. 26-35).

Under Rule 27(d) of this Court the "statement of the case" should contain only that "which is material to the consideration of the questions presented". Respondent's statement (Br. pp. 1-7) is largely devoted to a discussion of the factual issues relating to the alleged infringement, which petitioner did not brief (Pet. Br. p. 5). There certainly is no excuse or evidentiary basis for statements in respondent's brief that petitioner's alleged infringement was deliberate, willful, tainted with perjury and fraud (Res. Br. pp. 9, 10, 44, 51)—particularly in light of its admission on the trial that petitioner was an "innocent bystander".

Sufficient here to say, in brief reply to such discussion and attacks, there was no proof that Woolworth (or Sabin) committed any deliberate or willful infringement; and neither dealt in the accused article after notice and the original transaction (R. 74, 123, 255-6). Also, there was no *actual* proof that the Woolworth dog statuette was copied, directly or indirectly, from respondent's copy-

righted work of art or any one of respondent's several diverse models. Infringement was deduced and rested by the District Court solely on claimed similarities (disregarding dissimilarities) between the Woolworth statuette and some one or another of respondent's diverse models, each said to "embody" the unproved copyrighted work of art. And it was only because of the erroneous, highly technical and extremely inequitable ruling of the hostile trial court, made without "giving any reasons" (R. 238-40, 231-3), that petitioner was prevented from presenting, through a highly qualified expert on materials, very definite and scientific evidence (fully confirming and corroborating the verity of Moyer's testimony) that Defendant's Exhibit F, of which the Woolworth statuette was an actual and direct copy (as the Court of Appeals recognized—R. 274), was *authentic* and *produced in 1938*, the year date imprinted in it. This was *four years before* plaintiff's assignor produced or obtained the copyright on the work of art alleged to have been infringed. Furthermore, the trial court, in making this ruling, recognized that the excluded evidence would prove that the cast from which defendant's statuette was made "was manufactured back in 1938" (R. 235). Thus, was the search for the truth frustrated. It is regrettable too, we believe, that the Court of Appeals approved this ruling on the narrow and extremely technical ground that defendant "gambled on a favorable discretionary ruling by the court" and "lost" (R. 275), despite the fact that the trial court theretofore had left the case open for rebuttal by both parties, had assured defendant of equal treatment with plaintiff in respect of such rebuttal evidence (R. 181) and thus, presumably, had eliminated any element of *chanéé* inherent in the exercise of discretion.

We cannot and do not argue those points here, but merely mention them to indicate the lack of fairness in respondent's characterization of petitioner's acts.

CONCLUSION

We respectfully submit that under the correct application of Section 101(b) of the Copyright Act to the facts of this case, there was no legal justification for the award by the District Court of statutory damages or for the award by the Court of Appeals of statutory damages plus profits, and that respondent's recovery should have been limited, in any event, to the amount of petitioner's profits.

For the reasons stated herein and in petitioner's main brief, the judgment of the Court of Appeals should be reversed.

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